

#4 RETAILERS

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to help retailers understand the sales tax laws that apply to their businesses. This information is based on the sales tax laws and rules in effect on July 1, 2005.

GETTING STARTED

Who is a retailer?

A retailer is someone who:

- Sells to a consumer who does not resell (or lease to others) the product he has purchased.
- Makes more than two retail sales within 12 months, or makes it known that he sells a taxable product or service.

A retailer may be a business, nonprofit organization, government agency, or an individual.

Do I need a seller's permit?

If you are a retailer who is doing business in Idaho, you must apply for an Idaho seller's permit and collect Idaho sales tax on the goods you ship or deliver to customers in Idaho. In general, if your company owns property in Idaho or has employees or sales representatives working in Idaho, you are doing business in Idaho. A seller's permit gives you the authority to make sales in Idaho. The tax applies to sales, leases, or rentals of tangible personal property. It also applies to fees for admissions, recreation, hotel/motel/campground accommodations, subscriptions, and some types of labor.

City and County Permits: Some resort cities and counties in Idaho add a local option sales tax to the state sales tax. You should check with the local authorities where you will be selling to find out if any city or county permits are required. You can also visit the Idaho State Tax Commission Web site at tax.idaho.gov for a list of cities and counties with a local option sales tax (click on FAQs, then Sales and Use Tax).

How do I get a seller's permit?

You can apply for a seller's permit online at business.idaho.gov or complete the Idaho Business Registration form (available on our Web site at tax.idaho.gov/forms_permits.htm or at any of our offices) and submit it to the Tax Commission. There is no fee for the seller's permit. If you apply online, you should receive your permit in 10 days; if you mail your application, plan on four weeks. Once you receive your permit, you must display it in a prominent location at your business.

Multiple Locations: If you have more than one business location, you will receive a seller's permit for each one. All locations will be assigned the same permit number if they all have the same business name. If your business locations have different business names, you must fill out a separate application and get a separate permit for each one.

What happens if I start my business before I get a permit?

If you start your business without applying for the permit, you could be subject to penalties for making retail sales without being registered. However, if you can't postpone your business' opening while waiting for your permit, keep a copy of your application as proof you have applied and go ahead and collect the correct tax from your customers. Pay the tax you have collected when you receive your permit and packet of tax returns.

Do I have to get a seller's permit if I plan to sell for only a short time?

Yes. A temporary seller's permit is issued to individuals and groups who are not active retailers and are planning a one-time fund-raiser or bazaar. You can get a temporary seller's permit by calling or visiting any Tax Commission office. A temporary permit is good for only one sale or function, so you must get a new one whenever you have another event. You can get three temporary permits in a 12-month period.

What if I am selling at an event sponsored by a promoter?

If you are selling at a swap meet, flea market, gun show, fair, or similar event, you must have a seller's permit. The promoter may ask you to complete Form ST-124, Idaho Sales Tax Declaration, Promoter-Sponsored Event. If you do not have a seller's permit, you may be able to get a temporary permit from the promoter when you complete the ST-124. This will save you time. Or, you can contact the Tax Commission for your temporary permit.

What if I get a permit but make no sales?

You must file a return even if you make no sales. However, if you report no sales for 12 consecutive months, we will cancel your permit. Once cancelled, the permit is no longer valid and you can't use it.

If I buy a business, can I use its current seller's permit?

No. A permit can't be transferred. You must apply for a new one.

(NOTE: Before you buy a business, you should write to the Tax Commission and ask whether the business owner owes any sales or use tax. If so, you should withhold this amount from the purchase price of the business. If you don't do this, you are responsible for any sales and use taxes unpaid by the owner. You must provide the seller's written permission or a copy of an agreement between you and the seller before the Tax Commission will release any information on the tax due.)

How do I pay the tax?

After charging tax to your customers, you pay this money to the state on an Idaho Sales and Use Tax Return, form 850. *(See the sample at the top of the next page.)*

We will mail you a packet of these forms, along with instructions, after you apply for your seller's permit. You can file the return for free and pay online through our Web site (click on Electronic Filing), or you can mail the form and payment to us.

The return is a preprinted form with your personalized information. If you don't have a return when you need to file, do not use photocopies from a previous period or from another business. Instead, file and pay online through our Web site, or call any Tax Commission office to request a return. We will mail you the form on the next business day.

Note: Because sales tax returns are personalized, the forms are not available on our Web site.

850 IDAHO SALES AND USE TAX RETURN

PERMIT NO.

FROM

TO

002923000-S

7/1/2005

7/31/2005

TAX DUE ON OR BEFORE

8/22/2005

JOHN Q TAXPAYER
1554 VISTA
BOISE ID 15599**SAMPLE**☐ Mailing address change☐ Cancel permit

1. Total sales
2. Less nontaxable sales.....
3. Net taxable sales (line 1 minus line 2)
4. Items subject to use tax.....
5. Total taxable (add lines 3 and 4)
6. Tax (5% of line 5)
7. Adjustments (attach explanation)
8. Tax due (total of lines 6 and 7)
9. Penalty (Add after due date)
10. Interest (Add after due date)
11. Total due

I do hereby swear or affirm that this information
is true and correct to the best of my knowledge.

Authorized Signature

Date

Mail to:
State Tax Commission
PO Box 76
Boise, Idaho 83707

181818181 002923000 JOHN 08 0705 M 50 6

When do I pay the tax?

The Tax Commission will assign you an account filing cycle, which determines how often you must file a return to pay the sales tax you charge. If your customer hasn't paid you by the time your tax return is due, you must still pay the tax to the state. Sales tax is due on the accrual method of accounting. That means you send sales tax to the state for the period in which a sale was made.

Most retailers file returns every month. They pay the tax due for each month by the 20th day of the following month, or the next workday if the 20th falls on a weekend or holiday. For example, the taxes you charged in July are due by August 20.

Some retailers who owe less than \$600 tax per quarter pay their taxes quarterly. These taxes are due within 20 days after the end of the filing period.

Also, distributors and wholesalers with few sales pay taxes semiannually or annually. Taxes paid semiannually are due by July 20 and January 20. Taxes paid annually are due by January 20.

What happens if I file the return late?

The penalty for filing late returns is either 5% of the tax due for each month the return is late (to a maximum of 25%), or \$10, whichever is larger. The penalty applies to returns that are even one day late. In addition to the penalty, you must add interest. For a list of annual interest rates for current and past years, call us or visit our Web site (click on FAQs, then General and Miscellaneous).

What records do I have to keep, and for how long?

You must keep your sales tax records at least four years. They must include:

- Daily records of all cash and credit sales
- Sales invoices
- Records of all purchases, including all invoices, purchase orders, etc.
- Records of inventories taken at least once a year
- Records to support any exempt sales you have made or deductions you have taken on your return

NOTE: You must be especially careful to keep track of any tax-exempt sales. If you don't document these sales
page 3 of 10 [EBR00004:6/2005]

correctly, you may be held liable for any sales tax that wasn't paid at the time of sale. Read Brochure #5 – Retailers and Wholesalers: Making Exempt Sales.

How do I calculate the tax?

You calculate the sales tax by either:

- Using the sales tax “bracket card” that we will mail to you with your first tax returns, or
- Multiplying the total sales amount by the tax rate in effect.

The total sales amount includes all items in one sale. For example, if three items totaling \$10.50 are sold together, tax is calculated on the total, rather than the individual prices of the three items in the sale.

Can I include the sales tax in my sales price?

No. You must separately list the amount of tax on the sales invoice. Also, you cannot offer to pay the tax yourself or advertise that you will not charge the tax.

If my business is in another state, do I need to apply for a seller's permit and collect Idaho sales tax?

In many cases, yes. For more information, read Brochure #6, Out-of-State Businesses.

What about mail-order or internet businesses?

If your mail-order or internet business is located in Idaho, you are considered an Idaho retailer and must tax any sales you make to buyers in this state. If your business is located outside of Idaho, you may still have to collect Idaho tax. See Brochure #6, Out-of-State Businesses, for more information.

What about multilevel marketing businesses?

Multilevel marketing distributors must ensure that tax is properly paid on the products they sell and use. In most cases, dealers and distributors of multilevel marketing products must get a seller's permit and collect Idaho sales tax. Some multilevel marketing businesses register with the state to collect all the sales tax for their distributors. In this case, the business sells the product to the distributors at wholesale prices but collects sales tax on the suggested retail sales price. When the distributor sells the product to his customer, he reimburses himself for the tax he paid at retail. A distributor should make sure his supplier has a sales tax permit by asking for the permit number.

WHAT TO TAX, AND HOW MUCH

This section explains what sales are taxable and how much of the sales price should be taxed. While the information covers a wide range of sales, there are separate brochures available on many of the major retail industries, such as motor vehicle dealers, repair shops, motels, restaurants, etc.

Taxable sales

Sales tax applies to retail sales of the following goods and services:

- **Tangible personal property**
Anything you can feel, see, touch, weigh, or measure, other than real property

- **Admission charges**
Examples:
 Tickets to a movie
 Cover charges at a club
 The price to see an entertainer
- **Fees charged for use of a facility or for use of tangible personal property for recreation**
Examples:
 Membership fees to health clubs
 Renting a park for a picnic
- **Providing hotel/motel or campground accommodations**
Examples:
 Renting a room for less than 31 days
 Renting a banquet room at a motel
 Renting a campsite
- **Any custom-made tangible personal property**
Examples:
 Materials and labor for a custom-built desk
 Materials and labor for a made-to-order dress
- **Labor to produce, process, or fabricate tangible personal property**
Examples:
 The fee to cut and wrap a customer's deer meat
 The labor fee to make a table from a customer's lumber
 The fee to form or cut a customer's metal
- **Any publication, or labor to print or imprint**
Examples:
 A subscription to a newspaper or magazine
 A newspaper bought at the grocery store
 A fee to have business cards printed
 A fee to engrave a customer's trophy
- **Food, meals, and drinks and the labor to prepare or serve**
Examples:
 Buying a hamburger and soda at a drive-in
 Buying a cocktail at a lounge
 A mandatory tip that is added to a meal sales slip
 The entire fee to cater food for a party
- **Renting or leasing tangible personal property**
Examples:
 Renting a boat for the day
 Leasing a car for three years
 Renting bowling shoes at a bowling center
 Leasing a copy machine for a year

SALES PRICE

The terms "sales price" and "purchase price" mean the same thing. They refer to the price a buyer pays to a seller for any of the products or services listed earlier. This is the amount that must be taxed. Tax is due no matter how the buyer

pays the seller. He can pay with cash or check, on credit, or he may pay the seller with his own goods or services (barter). In each case, a sale occurs and sales tax is due.

What part of the sales price must be taxed?

The taxable sales price includes:

- **Transportation fees**
These fees are charged for shipping the goods to the retailer. See the Transportation Charges section for more information.
- **Manufacturer's or importer's excise tax**
These federal taxes are levied before the retail sale level, but may still appear as a separate item on the bill to the buyer.
Examples: taxes on tires, automobiles, beer, wine, cigarettes, and gasoline.
- **Incidental services performed by the seller as part of the sale**
These services are incidental to the sale, such as a charge for assembling the item.
- **Manufacturer's coupon or rebate deduction amounts**
These rebates, "buy one – get one free" coupons, or discount price coupons, such as those found in cereal boxes, are offered by the manufacturer of the product. Special rules apply to motor vehicle rebates – see Brochure #14, Motor Vehicles.
- **Prompt payment discounts**
These are discounts that encourage the buyer to pay his bill on time, such as a 2% discount if a bill is paid within a certain number of days.
Example: Tom orders tires from Jim's Tire Store. Tom has a \$5 manufacturer's discount coupon for the tires. Jim's Tire Store does not have the tires in stock, and has to order them from the manufacturer in Detroit. When Tom picks up the tires at Jim's Tire Store, he charges them to his account. Tom gets a bill that reads:

Four tires at \$80 each	\$ 320
Manufacturer's excise tax	12
Freight from manufacturer to the retailer	<u>27</u>
Subtotal	\$ 359
Less manufacturer coupon	<u>< 5 ></u>
Total due	\$ 354
(If paid by the 10th, take a 2% discount and pay only \$347.)	

The tax on this invoice must be charged on \$359, even though Tom paid the bill by the 10th and only paid \$347 for the tires. All of the separate charges are defined by the law as part of the taxable sales price.

What separately listed charges are not taxable?

None of the following charges or deductions are taxable, if they are listed separately on the sales invoice to the buyer:

- **Trade-in allowances** for merchandise traded in on other goods, whether in part payment, full payment, or exceeding full payment.
The trade-in adjustment is allowed only on purchases made from a retailer and not on transactions between individuals.
- **Trade discounts offered by a retailer**
This discount can be in the form of a coupon, a marked-down price, or a discount offered to a good customer. Note that this doesn't include the prompt payment discount or any coupon or rebate offered by a manufacturer; these are taxable.

- **Federal excise taxes levied at the retail level**

These taxes are levied either on the retailer or the buyer. They include the federal luxury tax on autos and the federal tax on large tractor/trailer units.

- **Shipping and handling** charges for shipping the goods directly to the consumer, as long as the charges are separately stated.
- **Installation labor**, such as the labor to install parts in a customer's car.
Labor to repair a customer's own goods is not taxable, but the parts sold must be taxed.
- **Insurance** charges on goods rented or sold.
- **Interest, carrying charges, service charges, or financing charges** on goods sold (special rules apply to leases – see Brochure #11, Rental and Leasing Firms).

Here are some examples that will help explain these nontaxable amounts.

Example: Tom buys a stove from Fred's Appliance Store for \$800. Fred agrees to give Tom a \$250 trade-in allowance on his old stove. Fred's Appliance Store agrees to deliver the stove to Tom for an additional \$25. Fred's must charge tax on \$550 (\$825-\$250-\$25). The trade-in amount and \$25 delivery fee are not taxable if listed separately on the invoice.

Example: Tom's Construction buys lumber costing \$1,000 from Fred's Building Supply store. Tom is a regular customer, so Fred gives Tom a 15% trade discount of \$150. Tom must pay tax on \$850 (\$1,000-\$150).

Example: Mary buys a diamond ring for \$1,000. The dealer agrees to ship the ring directly to Mary. Mary agrees to pay the bill over six months with 18% interest. She is late on one of her payments and has to pay a \$5 late charge. Mary must pay tax only on the \$1,000. The other separately stated charges are not taxable.

Summary

Taxable

- Services agreed to be rendered as part of the sale of tangible property
- Freight in to retailer
- Manufactured refund coupons
- Manufacturer rebates on goods other than motor vehicles
- Discounts for prompt payment
- Trade deductions between individuals
- Federal excise tax levied before the retail level

Nontaxable

- Installation charges
- Freight out direct to buyer
- Retailer coupons
- Manufacturer rebates on motor vehicles
- Trade discounts
- Trade-in allowances given by retailer
- Federal excise tax levied at retail level
- Finance, carrying, or interest charges

NONTAXABLE SALES

Some examples of nontaxable sales are listed below. This is not a complete list, but includes the questions most often asked by retailers.

Examples of nontaxable sales include:

- Real property sales, rentals, or leases, such as
 - office space
 - living space, other than motel or hotel accommodations
 - lockers
 - boat docks
 - billboards
 - parking spaces, other than campground or trailer park accommodations
 - storage space
 - booth space at fairs
 - facilities rented for a recreational purpose when sales tax is collected on admission charges.

Custom software. This is computer software made specifically for one customer. (Canned or prewritten software is taxable.)

- Telephone toll charges
- Taxicab fees, bus tolls
- Flights. Charter or regularly scheduled flights to or from Idaho (including intrastate flights).

EXEMPT SALES

Some sales are exempt from tax. These sales usually fall into one of the following categories:

- The buyer is exempt
- The buyer's industry is exempt
- The goods will be put to an exempt use
- The goods will be resold

For a detailed explanation of exempt sales and how to document them, see Brochure #5 – Retailers and Wholesalers: Making Exempt Sales.

TRANSPORTATION CHARGES

The charge for shipping goods directly to the consumer is not taxable if it is separately stated. This is true regardless of how the item is shipped or delivered. However, the charge for shipping goods to the retailer's location is taxable to the customer.

Example: Bill orders a part from Gary's Automotive. Gary does not have the item in stock, so he orders the part to be shipped from the manufacturer to his store. Gary then ships the part from his store to Bill. Bill's invoice reads:

The part	\$ 100.00 (+ sales tax)
Freight-in to Gary's Automotive	15.00 (+ sales tax)
Freight and handling to Bill	20.00 (no sales tax)

If Gary had asked that the part be shipped directly to Bill, the shipping and handling from the manufacturer to Bill would not be subject to sales tax, if separately stated.

If the goods are shipped to a buyer from a manufacturer, is the shipping taxable?

The shipping charges are not taxable, if they are separately stated.

Example: A retailer orders goods from a manufacturer and asks the manufacturer to ship the goods directly to the retailer's customer. The manufacturer ships the goods and sends the retailer a bill for the goods plus the transportation to the customer. The retailer, in turn, bills the customer for the goods and the freight charge. As long as the freight is listed separately on the invoice to the buyer, the freight is not taxable because the item was shipped directly to the buyer.

What if the goods are exempt from sales tax? Is the freight still taxable?

No. If the goods are not taxable, then the freight charges are also exempt.

Example: A retailer orders a part for a farmer's tractor and has the manufacturer ship the part to the retailer's store, where the farmer picks it up. The retailer bills the farmer for the part and the cost of the freight. If the farmer has filled out an exemption form (ST-101) for the retailer, no tax is due on the part or the freight.

Are handling charges taxable?

The handling charge for shipping goods directly to the consumer is not taxable, if it is separately stated. However, the handling charge for shipping the goods to the retailer is taxable when the retailer passes the charge to the customer.

SPECIAL TOPICS

Special rules apply to the following:

Warranty or service agreements: Warranty and service agreements fall under two categories and may or may not be taxable depending on the category.

MANDATORY: A warranty or service agreement is taxable if it is required as a condition of the sale, lease or rental of tangible personal property, regardless of whether the charge is listed separately. Parts replaced under the warranty are not taxed since they are considered to have been taxed when the mandatory warranty or service agreement was sold.

OPTIONAL: If the buyer has the option of purchasing the warranty or service agreement, tax does not apply to the purchase if it is listed separately on the billing. When an optional warranty or service agreement is sold, parts are taxable to the seller of the agreement when he or a third party does repairs under the agreement.

Coupon books: A coupon book consists of two or more retailer's coupons sold to a buyer, allowing him to use the coupons as all or part of the purchase price of tangible personal property or services. The sale of the coupon book is not taxable. The property obtained with the retailer's coupon is taxed on the amount paid after subtracting the coupon amount.

Membership cards: The purchase of a membership or card that entitles the holder to buy merchandise at a discount is a taxable sale if the seller of the card is the same as the seller of the merchandise. *An example* is a card that entitles the holder to buy books at a discount for a specified period of time.

Gift certificates: The sale of a gift certificate is not taxable. When it is used, tax applies to the entire sales price of the goods before deducting the value of the certificate.

Layaway sales: A layaway sale is not taxed until the customer picks up the goods.

Free merchandise coupons: When a customer presents a retailer's coupon for free merchandise, no sale has occurred and no tax is collected from the customer. However, if the retailer did not pay tax on the merchandise he purchased and then gave away, he is liable for tax on his cost of the merchandise.

Manufactured homes and modular buildings: When a manufactured home (mobile home) or modular building is sold new, it is taxed on 55% of the retail sales price. When these units are sold as used, they are not taxable. To qualify for this special rule, a manufactured home must be at least 8' x 40' or 320 square feet and be designed for use as a dwelling. If it is smaller, or is designed to be used as something other than a dwelling, the entire retail sales price is taxable, whether sold new or used. A modular building is anything other than a manufactured home that is prebuilt at a place other than the site where it is set in place. Building "kits" do not qualify for this special rule and are taxed on 100% of the sales price.

Sales to nonresidents: When a resident of another state buys goods in Idaho, he must pay Idaho tax unless an exemption applies. Nonresidents are entitled to the same exemptions that apply to residents. An exemption also applies when a retailer ships or delivers goods to a customer out of state (special rules apply to aircraft, motor vehicles, and trailers – see Brochure #14, Motor Vehicles, and Brochure #15, RVs, Boats and Aircraft).

Sales other than resale inventory: Sales tax must be collected on all of the goods a business sells, even if the item being sold is not part of the normal inventory. For example, if a business sells its delivery van to an employee, the business must charge sales tax.

Bad debts: If you pay sales tax to the state but can't collect it from a customer, and you write it off on your records as a bad debt, you can claim a credit for the tax on your next sales tax return. See Rule 063 - Bad Debts and Repossessions.

Rescinded sales: If a customer returns merchandise you sold him and you refund the purchase price to him, you must also refund the sales tax he paid.

Local Sales Taxes: Some Idaho cities and counties have local option sales taxes. For a current listing, visit our Web site (click on FAQs, then Sales and Use Tax).

PURCHASES BY RETAILERS

Are my purchases taxable?

If you buy goods for resale from a seller doing business in Idaho, you must give the seller a completed form ST-101, Sales Tax Resale or Exemption Certificate, for his records. Once this form is on file with the seller, it is valid for all future exempt purchases.

What if all my suppliers are out of state?

Many out-of-state suppliers are required to collect Idaho sales tax. If any of your merchandise suppliers are registered to collect Idaho tax, you must give them a completed form ST-101, so you can buy goods tax exempt.

What are some examples of items on which I should pay tax?

You should pay tax on any goods you buy that are not for resale to your customers. *Examples* include:

- Merchandise display racks and equipment
- Cash registers and other selling equipment
- Cash register tape or sales invoices
- Flyers handed out to customers

- Advertising inserts
- Price stickers (unless special product information is on them, such as stickers used in the meat department of a grocery store)
- Office equipment and supplies
- Warehouse shelving, equipment, and supplies
- Incidental materials you use to repair a customer's product when the value is minimal and you do not itemize it, such as lube grease, screws, or nails, etc. (Read Brochure #10, Repair Shops.)
- Merchandise you take from your resale inventory to use yourself or give away. (Read Brochure #2, Use Tax.)

For more information, read:

Brochure #2	Use Tax
Brochure #5	Retailers and Wholesalers: Making Exempt Sales
Brochure #6	Out-of-State Businesses
Brochure #10	Repair Shops
Brochure #11	Rental & Leasing Firms
Brochure #13	Vending Machines & Amusement Devices
Brochure #14	Motor Vehicles (Selling, Leasing & Renting)
Brochure #15	RVs, Boats & Aircraft
Rule 011	Retail Sales - Sale at Retail
Rule 018	Retailer Defined
Rule 024	Rentals or Leases of Tangible Personal Property
Rule 043	Sales Price or Purchase Price Defined
Rule 063	Bad Debts and Repossessions
Rule 105	Time and Imposition of Tax, Returns, Payments and Partial Payments

OFFICE LOCATIONS

Boise	800 Park Blvd., Plaza IV
Coeur d'Alene	1910 Northwest Blvd., Suite 100
Idaho Falls	150 Shoup Ave., Suite 16
Lewiston	1118 F Street
Pocatello	611 Wilson Ave., Suite 5
Twin Falls	1038 Blue Lakes Blvd. N., Suite C

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- **tax.idaho.gov**

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.